E.DSO Reaction to Council conclusions on 'Advancing Sustainable Electricity Grid Infrastructure'

Brussels, 30 May 2024

Introduction

This reaction paper presents the viewpoint of E.DSO, the Association representing the leading electricity Distribution System Operators (DSO) in Europe, regarding the Council Conclusions aimed at Advancing Sustainable Electricity Grid Infrastructure (10459/24). Our response aims to constructively engage with the conclusions, identifying both commendable initiatives and areas that may present challenges or require further attention to achieve our shared goals of sustainability, security, and efficiency in the European electricity grid.

I. Commendations

We particularly welcome the Council's recognition of the growing network congestion challenge, in particular at the distribution network level and the urgent need to build on initiatives to strengthen and expand distribution grids.

We also commend the Council's forward-thinking approach and highlight some crucial aspects where further focus could enhance implementation and effectiveness.

1.1. Support for the Implementation of the EU Grid Action Plan

We fully support the Council's directive for the Commission to expeditiously implement the 14 actions of the **EU Grid Action Plan** in close cooperation with all relevant stakeholders. Such a collaborative approach is vital for achieving the ambitious targets set forth and ensuring that the grid infrastructure meets future energy demands efficiently and sustainably.

1.2. Long-term infrastructure planning

The Council's recommendation to extend the planning horizon at European level for grid infrastructure from 10 to 20 years is a positive development. A longer timeframe in Strategic infrastructure planning allows for better anticipation of investment needs and ensures that we are well-prepared to meet future challenges and opportunities. This foresight is crucial in maintaining a robust and resilient grid capable of supporting the EU's transition to a low-carbon economy.

1.3. Emphasis on Anticipatory Investments

We are pleased to note the Council's shift from merely identifying the need for anticipatory investments to asserting their necessity. Anticipatory investments are essential to ensure that the grid can accommodate future energy demands and integration of renewable energy sources. Without these investments, achieving the EU's decarbonisation targets would be at risk. The Green Deal and the **Fit for 55 Package** have put us on a pathway to climate neutrality, with intermediary targets in 2030. It would be good to allow DSOs to already prepare the network matching the ambition. The EU should encourage early investments through mechanisms such as incentive tariffs and access to low-interest loans. This would help stimulate the deployment of the necessary infrastructure. Ensuring DSOs' ability to invest is crucial, with clear and predictable financial incentives from the regulatory framework.

1.4. Acknowledgement of costs associated with infrastructure enhancement

While we recognise the necessity of increasing the electricity infrastructure to ensure security of supply, it is imperative to also consider the associated costs. These investments must be managed prudently to balance financial impacts while striving for the broader goal of sustainability.

1.5. Expanding distribution grids

The Council's call to strengthen and expand distribution grids resonates with our strategic objectives. In particular, the recognition of the challenges posed by network congestion and the need for regulatory environments that support decarbonisation and anticipatory investments align with our views.

We commend the Council's encouragement for the **European Investment Bank (EIB)** to enhance financing and de-risking initiatives, which are crucial for supporting grid expansion and modernisation.

1.6. Enhancing access to EU funds

The call for the European Commission to provide clearer guidance for Member States, TSOs, and DSOs on using existing EU funds effectively, and to simplify the **Connecting Europe Facility (CEF)** funds granting process, is a significant step towards facilitating necessary grid enhancements. This will help ensure that available resources are used efficiently to meet infrastructural needs.

1.7. Accelerating permitting procedures

We echo the Council's concerns about the prolonged lead times associated with current infrastructure projects and support the emphasis on accelerating permitting procedures. This acceleration is essential for the timely development of electricity infrastructure, which is critical to meet the increasing demands and integration challenges posed by renewable energy sources.

1.8. The need for a skilled workforce

Finally, the Council's emphasis on the importance of a sufficiently skilled labour force is crucial. Building capacity through training and education will ensure that the sector is well-equipped to handle the technological and operational complexities of a modernised, sustainable grid.

II. Recommendations for enhancement

We believe that to implement these conclusions adequately, the next Commission must address the below identified shortcomings to ensure comprehensive and effective implementation.

2.1. Bridging the gap in grid investment: Creation of specific funding program for DSOs only

Introduce new funding mechanisms or expand existing ones with adequate financing to specifically support the development of the distribution grid. This will help meet the unique challenges and requirements of distribution networks, including e.g. grid digitalisation needs. In addition, distribution grid operators need predictable financial incentives from the regulatory framework in order to execute the needed investments. However, these measures alone won't be enough. Given that the investment needs for decentralised electricity grids are estimated to be around €70 billion per year until 2050, we urge the establishment of the **Decentralised Grid Facility (DGF)** to better address this significant financial challenge. We also call for support to eliminate national regulatory barriers that subject funds to taxation and to prevent the regulatory neutralisation of grants. Additionally, incentives to secure loans at more favourable rates from entities like the EIB are undermined by regulatory adjustments.

2.2. Clear roles for all relevant actors

We propose that the conclusions be revised to explicitly recognise and define the roles of all DSO associations, especially those representing the industrial aspects of DSOs. Including these stakeholders will ensure that policy development benefits from a diverse range of insights and expertise, leading to more effective and pragmatic policy implementations.

2.3. Integration of an industrial strategy

We contend that it is essential to expand the scope of the conclusions to include the industrial aspects of grid infrastructure, with an emphasis on strengthening EU capabilities in the manufacture of critical grid components. This expansion should include robust support for innovation and the development of grid technologies, going beyond a mere focus on standardisation specifications. The Commission could be asked to do more than just "explore" possibilities to facilitate visibility on procurement of grid components, i.e. being called upon to work with system operators and industry to carry out this task. A high need for strong cybersecurity requirements, has been also identified, which could take the form of an obligation for works contracts and concessions to gain access to the markets.

2.4. Explicit link between competitiveness and grid infrastructure

We strongly urge a clear articulation and reinforcement of the link between grid infrastructure enhancements and the advancement of the EU's competitiveness. It is crucial to outline how strategic investments in grid systems will not only elevate the EU's technological and industrial capabilities but also drive economic growth and sustainability.

By addressing these points, the European Commission and Council can enhance the strategic impact of their policies, ensuring that they not only meet the current energy challenges but also contribute

to the broader economic and industrial objectives of the EU. This comprehensive approach will better position the EU to achieve its ambitions for a sustainable, secure, and competitive energy future.